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INFO RUCNFUR/DARFUR COLLECTIVE

UNCLAS SECTION 01 OF 04 KHARTOUM 001779

SIPDIS

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DEPT FOR AF/SPG, INL, SCT, AND EEB
STATE PLS PASS USAID FOR AFR, AND ALSO PASS USAID
JUSTICE FOR AFMLS, OIA, AND OPDAT;
TREASURY FOR FINCEN

E.O. 12958: N/A

TAGS: [EFIN](#) [KCRM](#) [KTFN](#) [SNAR](#) [SU](#)

SUBJECT: SUDAN CHAPTER: 2007-2008 INTERNATIONAL NARCOTICS CONTROL
STRATEGY REPORT (INCSR), PART II, MONEY LAUNDERING AND FINANCIAL
CRIMES

REF: STATE 138226

¶1. Attached, below, is the draft text for the Sudan chapter of the
INCSR, Part II, Money Laundering and Financial Crimes. To our
knowledge, this is the first time the report has been submitted for
Sudan. POC at post for this report is Paul J Martin: email
martinpj@state.gov; tel: (011-249-1-83-) 774-700 ext. 6374; cell
phone: (011-249-1-83-) - (0) 912-178-518.

¶2. Numbering of paras below are keyed to paras of instruction
cable.

BEGIN TEXT OF DRAFT REPORT:

¶14. The National Assembly passed the Money Laundering Combating Act
of 2003 and the Central Bank of Sudan (CBOS) issued Circular No.
9/2007 to banks and financial institution, which includes measures
to combat money laundering and terrorist financing. In 2007, twenty
(20) suspected cases of money laundering were identified by the
AML/CTF unit at the CBOS.

¶15. Among the main deterrents to more effective host government
responses in Sudan are the inefficiency of the Sudanese financial
system, the lack of impartiality and independence of the judiciary,
and widespread corruption.

General Questions

¶16. Sudan is not considered an important regional financial center.

¶17. According to the director of Public Administration of Drug
Combating at the Ministry of Interior, money laundering in Sudan is
primarily related to the proceeds from narcotics trafficking
(especially of marijuana, known locally as "bango."). Money
laundering proceeds are controlled by local drug-trafficking groups
and organized crime organizations. Public corruption, including in
the banking sector, is a reality in Sudan. However, it probably
does not contribute much to money laundering, which is not
considered a large problem in the country.

¶18. There is no significant black market for smuggled goods in
Sudan. There is little smuggling of contraband to generate funds to
be laundered through the banking system in the country.

¶19. According to officials at the Central Bank of Sudan (CBOS),
money laundering/terrorist financing generally is not suspected in
domestic banks. There are no offshore financial centers or free
trade zones serving Sudan. The country has not experienced an

increase in financial crimes.

¶20. To Post's knowledge, no financial institutions in Sudan are engaged in currency transactions involving international narcotics trafficking proceeds that include significant amounts of United States currency. Because of U.S. sanctions, monetary transfers between the U.S. and Sudan have not been possible since 1997.

¶21. Sudan is not considered an offshore financial center.

¶22. Sudan prohibits dealings with shell companies as well as the opening of correspondent accounts for any bank or any institution rendering correspondence services to shell companies.

¶23. There is not a separate regulatory agency for the offshore sector. There are no differences in regulations governing offshore banks and businesses from regulations governing domestic banks and businesses.

Free Trade Zones

24-25. The Sudanese Free Zones Company (SFZ) was established in ¶1993. The SFZ is exempt from customs duties. All travelers arriving in the country by air, land or sea benefit from this exemption. There are three free trade zone areas in Sudan: Port Sudan, Khartoum and the El-Gaili area (60 km north of Khartoum). The objective of the SFZ is to promote transfer of foreign technology and to create new job opportunities. The Free Zones Act stipulates that no property, assets, funds or other possessions of a firm can be nationalized or confiscated. There is no indication that the SFZ is being used for trade-based money laundering schemes.

¶26. Due diligence conditions are applied to all individuals working

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in the SFZ. In addition, the Government of Sudan is drafting legislation to bring free zone administration into line with international standards.

Laws and Regulations to Prevent Money Laundering and the Financing of Terrorism

¶27. Money laundering is a criminal offense in Sudan. The law applies to any transaction or proceeding aimed at concealing or changing the identity of illegally obtained money so that it appears to have originated from a legitimate source. Such misuse of the financial system is considered money laundering. The law also applies to using illegally obtained money to acquire fixed assets, and to using such money in such a manner to make the process appear to be a normal financial transaction. The Central Bank of Sudan (CBOS) must be informed of any account that is used improperly. Banks are required by law to pay special attention to transactions not in line with the normal transaction of the accounts, such as multiple international transactions, cash deposits in large amounts, or deposits in small amounts carried out at regular periods without having any obvious reason.

¶28. Sudan has not enacted secrecy laws preventing the disclosure of client and ownership information. All banks and financial institutions are required to identify a Desk officer responsible for reporting suspicious cases to the Unit for Anti-Money Laundering /Counter-Terrorist financing (AML/CTF) of the CBOS according to specific reporting procedures.

¶29. Under current legislation, the CBOS is to establish an independent financial intelligence unit (FIU).

Financial Sector

¶30. The Central Bank of Sudan's (CBOS) Anti-Money Laundering and Combating Terrorist Financing Unit (AML/CTF) is the entity charged with supervising and examining financial institutions for compliance with AML/CTF laws and regulations.

¶31. Banks and other financial institutions are required to exert due diligence in establishing any continuous relationship with a client, and to report any transaction exceeding USD 12,000. They are prohibited from entering into a banking relationship with unknown persons or individuals or entities with phony names.

¶32. All banks and financial institutions must retain records and documents relating to customers' transactions for a period of at least five years from the execution date of the transaction or termination of the relationship, whichever is longer, taking into consideration Article (45) of the adaptation (adjustment) program of the Positions Project of 1994 concerning the safekeeping of documents.

¶33. All banks and financial institutions working in Sudan will be subject to the AML/CTF regulations, along with all such institutions' branches and subsidiary companies wherever their headquarters may be. The CBOS's AML/CTF supervises these entities.

¶34. The designated Desk Officer for any given financial institution is responsible for notifying the AML/CTF unit at the CBOS regarding suspicious transactions in the bank or the financial institution. The NBFIs (private exchange dealers) are required to report suspicious transactions that exceed USD 12,000. This reporting is mandatory.

¶35. The reporting Desk Officers are protected under Sudan's laws.

Financial Intelligence Unit (FIU) / Investigations

¶36. The Central Bank of Sudan (CBOS) is mandated to establish an independent Financial Intelligence Unit (FIU) within the Banks' Headquarters. The Unit has yet to be established. Officials at the CBOS say that they will work with the Ministry of Justice and other related ministries to draft legislation, although a timetable for doing so has yet to be fixed.

¶37. n/a (yet to be established)

¶38. According to CBOS officials, the FIU will have access to records and data bases of other government entities and financial institutions.

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¶39. In 2007, 20 suspicious cases were received by AML/CTF unit. Of those, one was referred to the court.

¶40. The Minister of Justice has formed a Money Laundering Offences Administrative Committee, bringing together representatives of the 12 government entities responsible for oversight of financial crimes. These include: the Prosecutor-General of the Republic of Sudan; the Deputy Governor of the Bank of Sudan; Ministry of Foreign Relations; Ministry of Foreign Trade; Ministry of Finance and National Economy; Director, Investigations of Crimes General Administration; Director, International and Regional Police Organizations (Interpol); Customs Police; Taxation Chambers; the Banking Development Organ; the Economic Sector Security Circuit (National Security Organ); and the National Information Center. Together, these bodies bear responsibility for investigating financial crimes, including money laundering and terrorist financing. We are not able to assess whether they are adequately staffed. Adequate training for these complex tasks is often lacking, according to officials at the Central Bank of Sudan.

¶41. Since January 1, 2007, AML/CTF identified 20 suspicious cases. As noted above, one was referred to legal authorities. In one case, several individuals were arrested and are awaiting trial.

¶42. Sudan criminalized the financing of terrorism as per UNSC Resolution 1373. This was accomplished by the Money Laundering Act of 2003. It is also criminalized by the AML/CTF Act, which is now in the process of ratification, and the Central Bank of Sudan Circular No. 9/2007.

¶43. The AML/CTF unit has circulated to banks and the financial institutions the list of individuals and entities that have been included on the UN 1267 sanctions committee's consolidated list, as well as the USG's list of terrorist organizations/financiers. CBOS officials do not know the amount of frozen, seized and/or forfeit related assets in 2007.

44-45. The CBOS circular NO. 9/2007 regulates alternative remittance systems and also monitors/supervises the financial activities of charitable and non-profit entities.

Cross Border Transportation of Currency and Negotiable Instruments

46-47. The FIU to be established will be responsible for monitoring cross-border transportation of currency and monetary instruments.

48-51. The Money Laundering Offences Administrative Committee has authority to seize and confiscate assets derived from money laundering or connected to terrorist financing. The Committee is to deposit seized assets in a special fund, which the Committee is to establish and manage. The proceeds are to be used to combat money laundering, and pay rewards to persons or bodies that provide information about money laundering activities. Any kind of property related to money laundering can be seized. With the help of the World Bank and FSA, Sudan currently is drafting a new AML/CTF law, which aims to establish an independent FIU / CTF in line with international standards.

¶52. The banking system cooperates with enforcement efforts to trace funds and seize/freeze bank accounts.

¶53. The FIU/CTF is able to act through civil or criminal courts to seize assets involved in money laundering.

¶54. The Government attempts to enforce existing asset seizure and forfeiture laws. However, government and banking officials say they need more training in the effective identification and seizure of tainted assets.

¶55. The AML/CTF unit at the Central Bank of Sudan has the authority to recommend freezing of terrorist assets. It is an independent body.

¶56. No figures are available on the dollar amount of narcotics-related, terrorist-related and other criminal-related assets frozen, seized, and/or forfeited in the past year or in previous years.

¶57. Sudan has an agreement with Saudi Arabia that allows for the sharing of seized assets. It is engaged in negotiations with neighboring countries to enhance tracing, freezing and seizure of assets.

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International Cooperation

¶58. Because of the current strained state of Sudan-U.S. relations, there have been no initiatives to cooperate with the United States on investigations and proceedings related to narcotics and all-source money laundering. Cooperation with the U.S on terrorism and terrorist financing has been very good.

¶59. With the help of the World Bank and FSA, Sudan currently is drafting a new AML/CTF law, which aims to establish an independent FIU / CTF according to international standards. In 2006 Sudan became a member of the Middle East /North Africa Financial Action Task Force (MENFATF). It signed an MOU with Venezuela dealing with money laundering.

¶60. The Government of Sudan has been very cooperative with the USG in counter-terrorism efforts. It has cooperated, when requested, with appropriate USG law enforcement agencies and other governments

investigating financial crimes related to narcotics, terrorism, terrorist financing and other crimes.

¶61. There have been no known instances of refusal to cooperate with foreign governments.

¶62. Sudan is a party to the UN International Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention), and the UN Convention against Transnational Organized Crime (Palermo Convention). Sudan adheres to the international money laundering standards of the Financial Action Task Force (FATF). Sudan is in the process of acceding to the UN Convention against Corruption as well as to the UN International Convention for the Suppression of the Financing of Terrorism. No ratifications or accessions took place in 2007.

63 Post believes that responses, above, fairly describe the situation with regard to anti-money laundering/terrorist financing plans, programs and timetables adopted by Sudan, as well as the legal and law enforcement measures taken to combat money laundering and terrorist financing.

END TEXT OF DRAFT REPORT.
Fernandez